

FY 2025 PROPOSED OPERATING AND CAPITAL BUDGETS

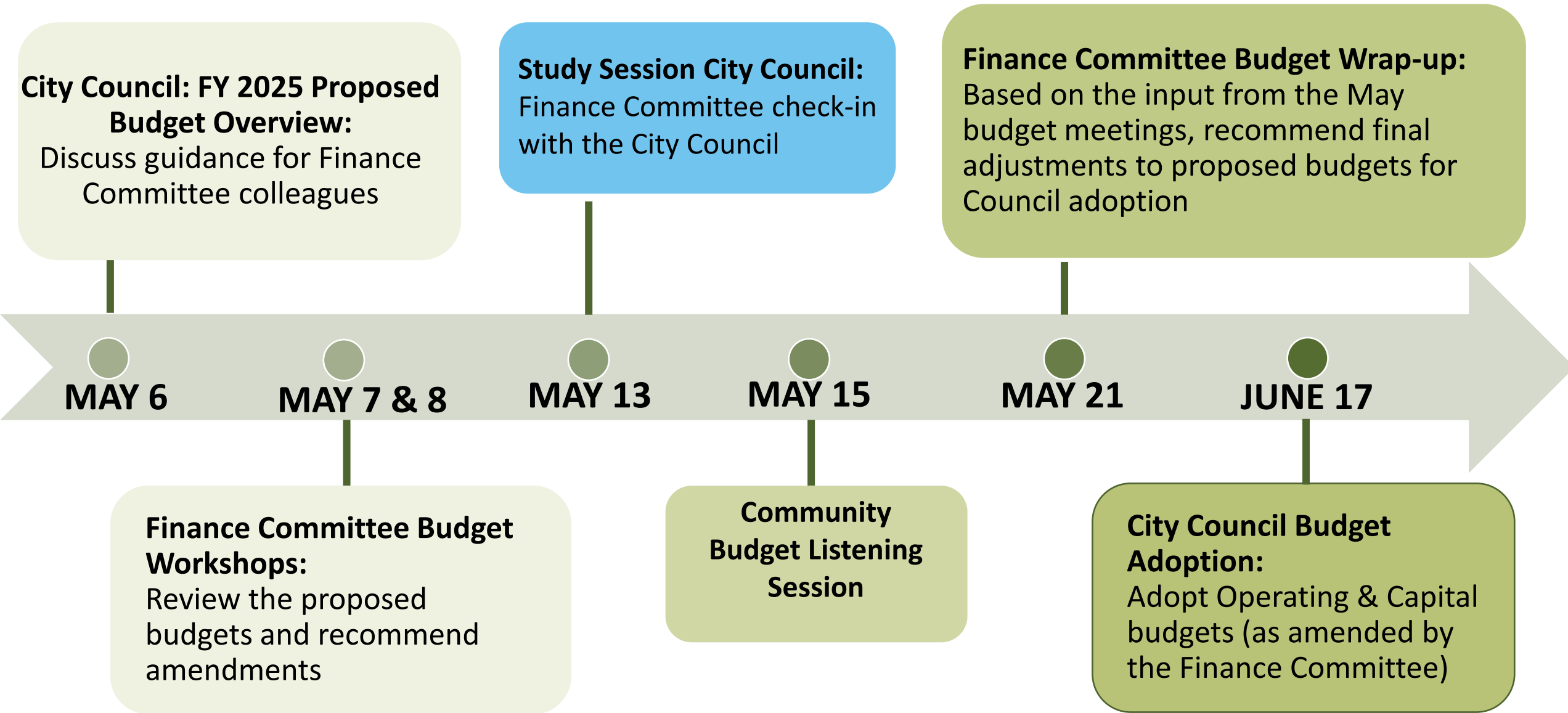
Finance Committee Update & Council Discussion

City Council Item #3

May 13, 2024

www.cityofpaloalto.org/budget

BUDGET CONVERSATIONS & CALENDAR



PROPOSED BUDGET OVERVIEW

- Operating budget totals \$1.03 billion (\$303.5 million in General Fund)
- Capital budget totals \$359.7 million in FY 2025 and \$1.6 billion over the five-year Capital Improvement Program (CIP)
- Two-year balancing strategy using one-time funds to resolve (\$6.9M) shortfall in FY 2025. Partially solve projected deficit of (\$9.7M) in FY 2026 to bring it to (\$5.0M)
- Service investments and Council Priorities supported by additional 20 FTEs, all funds
- Measure K and L funding continues for critical services



Use of one-time funding

- \$9.6M Uncertainty Reserve recommended to:
 - Offset shortfall in FY 2025 (\$6.9M) and partially offset FY 2026 (\$4.7M)
 - \$5.0M deficit remains in FY 2026
 - Maintain a 18.8% BSR (\$1.0M above 18.5% target), down from 20% in FY 2024



Labor Agreements: terms for wages, benefits, and other terms and conditions of employment, through FY 2025 (Jan. 2025 for SEIU)



Capital Investments: Base transfer to Capital Improvement Fund (\$13.7M in FY25) to reach pre-pandemic levels by FY26 (\$16.7M) as planned starting with the 2023-27 CIP



City's Pension & Other Post-Employment Benefits (OPEB): Proactive funding of long-term liabilities (pension and retiree medical) to accelerate funding target, reduce cost and liability, and enhance fiscal stability.





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SUMMARY OF FINANCE COMMITTEE

REVIEW TO DATE

“PARKING LOT” OF GENERAL FUND BUDGET

Date	Finance Committee Adjustments to Budget*	FY 2025 GF (cost)/savings or rev	Dept
7-May	Beginning Balance	\$ -	
	<i>Subtotal Sources (Revenue)</i>	\$ -	

Date	FY 2025 Council Contingency	
7-May	Beginning Balance	\$ 125,000
	Remaining:	\$ 125,000

Parking Lot Items	FY25 Amount (cost)/source	Ongoing	Dept
Analyze increased flexibility for revenue-generating CSD programming to meet demands	0	0	CSD
Explore financial, outreach, and policy processes for adding East Palo Alto to resident rates for golf course	(30,000)	(30,000)	CSD (muni fee)
JMZ increase ticket prices during peak attendance from \$10 to \$14	300,000	350,000	CSD
Analyze Fire Emergency Medical Response Fee Adjustments (requires study during FY25, changes not expected before FY26)	TBD	TBD	FIR
Analyze a reduction of Capital Funding (between \$500,000 and \$1M)	0	0	NON
Reduce BSR from 18.8% to 18.5% of FY25 Proposed General Fund Expenses	1,000,000	0	NON
Amend Gas Transfer to General Fund in FY25 to 14.5% (from 11.9%) & in FY26 to 18% (previously scheduled in FY27) ~Estimated FY 2025 Gas Utility Rate change from 9% to 12.5%	2,000,000	900,000	NON
Subtotal Revenue (&/or source of funding)	\$3.3 M	\$1.2M	



Budget Stabilization Reserve FY 2025 est = \$55.0M or @ 18.8% target (as of 5/7/24)
 (\$1.0M above the 18.5% target)
 Council range is 15% to 20% of Adopted expenses, currently estimated at \$292.4M

“PARKING LOT” – REVENUE

*\$000's = placeholder,
further analysis is needed*

Parking Lot Items	FY25 Amount (cost)/source	Ongoing	Dept
Analyze increasing revenue-generating CSD programming to meet demand (Fee revenues for classes)	0	0	CSD
Explore financial, outreach, and policy processes for adding East Palo Alto to resident rates for golf course (Potential reduction in fee revenues from lower charges)	(30,000)	(30,000)	CSD (muni fee)
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“PARKING LOT” – EXPENSES

Parking Lot Items	FY25 Amount (cost)/source	Ongoing	Dept
JMZ new staffing, contracts, and new ticketing system adds	(613,000)	(946,000)	CSD
Environmental Volunteers Foothills Nature Preserve Program*	(11,000)	(11,000)	CSD
Analyze increased flexibility for revenue-generating CSD programming	0	0	CSD
Fire Emergency Medical Response; Supplemental resources via contract for services	(500,000)	(550,000)	FIR
Upstaff Fire Engine 62 with 3 Sworn Staff instead of Overtime	(60,000)	(75,000)	FIR
Establish Organizational Development and Safety Division (1.0 position)	(78,000)	(78,000)	HRD
Active Recruitment Digital Marketing Services (contract services)	(50,000)	(50,000)	HRD
Expansion of Library Teen Services (1.0 position)	(135,000)	(135,000)	LIB
Palo Alto Transportation Mgmt. Assoc. (PATMA) increase to \$400,000	(200,000)	(200,000)	OOT
Review an alternative service approach for PA Link with reduced costs (proposed budget funds \$900,000 in FY25)	450,000	580,000	OOT
Public Services Streets 311 Requests to support catch-up and keep-up	(100,000)	(100,000)	PWD
Sustainability Program Customer Service Support (1.0 position Electric Fund)	0	0	UTL

* = ask from outside agency, FY25 contribution TBD

\$000's = placeholder, further analysis is needed

“PARKING LOT” – EXPENSES (CONT’D.)

Parking Lot Items	FY25 Amount		Dept
	(cost)/source	Ongoing	
Ability Path Matching Gift *	(250,000)	0	NON
Establish a Citywide Special Events & Programming (\$230k total program) * [Requested UNAFF \$45k, 3rd Thursdays \$40k, Neighbors Abroad \$30k, Magical Bridge \$150k, cultural events]	(200,000)	(200,000)	NON
Additional funding for Roth Building Rehabilitation (PF-23001) (revise terms and conditions of the tenant work letter)	(1,000,000)	0	CIP-PWD
California Avenue Interim Improvements	(450,000)	0	CIP-PWD
Car-free Streetscape Design for Ramona Street	(200,000)	0	CIP-PWD
Study of artificial turf replacement with grass at up to 4 fields (recommend use of current CIP to fund a study)	0	0	CIP-CSD
Review parks restroom prioritization (specifically Pardee Park)	0	0	CIP-CSD
<i>Subtotal Expense (&/or use of funding)</i>	<i>(\$3.4 M)</i>	<i>(\$1.8M)</i>	
Potential Funds Remaining surplus / (deficit)	(\$0.1 M)	(\$0.5 M)	

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GENERAL FUND BUDGET BALANCING WITH 'PARKING LOT' ITEMS

(\$ in millions)	Proposed FY 2025	Parking Lot	Increase/ (Decrease)
Revenues	303.5	306.8	\$3.3
Use of Reserves	\$7.6	\$8.6	\$1.0
Expenditures	303.5	306.9	\$3.4
Surplus / (Deficit)	\$0	(\$0.1)	(\$0.1)

Status of General Fund Reserves			
Uncertainty Reserve for FY 2026	\$4.7	\$4.7	\$0
Budget Stabilization Reserve \$	\$55.0	\$54.0	(\$1.0)
<i>Budget Stabilization Reserve %</i>	<i>18.8%</i>	<i>18.3%</i>	<i>(0.5%)</i>

BSR at 18.5% target level requires \$0.7M of additional funding

JOIN THE BUDGET CONVERSATION

The community is encouraged to join the budget conversations:

- **Finance Committee Budget Hearings:**
 - ✓ May 7 at 9:00 A.M.
 - ✓ May 8 at 9:00 A.M.
 - May 21 at 1:00 P.M. – Wrap-up
- **Community Informational Session:**

Learn about the City’s proposed budget

May 15 at 6:00 P.M.
- **City Council Budget Adoption:**

June 17 at 5:30 P.M.

All meeting details listed at www.cityofpaloalto.org/budget

JOIN THE BUDGET CONVERSATION FISCAL YEAR 2025

Proposed Fiscal Year 2024-2025 **Operating and Capital budgets** were released at the end of **April**. Join the budget conversations this **May and June**. Share your City service priorities and input throughout the budget process.

COMMUNITY ENGAGEMENT KEY DATES : THE CITY OF PALO ALTO

- April 25 - Budget Publication
- May 6 - City Council – FY 2025 Proposed Budget Study Session
- May 7 - Finance Committee – Budget Hearing #1 - 9:00 a.m.
- May 8 - Finance Committee – Budget Hearing #2 - 9:00 a.m.
- May 13 - City Council – FY 2025 Proposed Budget Study Session
- May 15 - Community – Virtual Community Informational Session - 6 p.m.
- May 21 - Finance Committee – Budget Wrap-up, 1 p.m.
- June 17 - City Council – Budget Adoption



For details go to www.cityofpaloalto.org/budget



FISCAL YEAR 2025

PROPOSED OPERATING BUDGET

▷ CLIMATE CHANGE AND THE NATURAL ENVIRONMENT: PROTECTION & ADAPTATION

▷ COMMUNITY HEALTH, SAFETY, WELLNESS & BELONGING

▷ HOUSING FOR SOCIAL AND ECONOMIC BALANCE

▷ ECONOMIC DEVELOPMENT & TRANSITION



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COUNCIL DISCUSSION

- Receive update on the detailed work reviewing the budget documents
- Clarify understanding of current status and policy decision the Committee seeks feedback on
- Provide guidance to Finance Committee colleagues for their final recommended adjustments scheduled on May 21. City Council FY 2025 Budget Adoption scheduled on June 17th
- Budget and meeting details listed at www.cityofpaloalto.org/budget

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